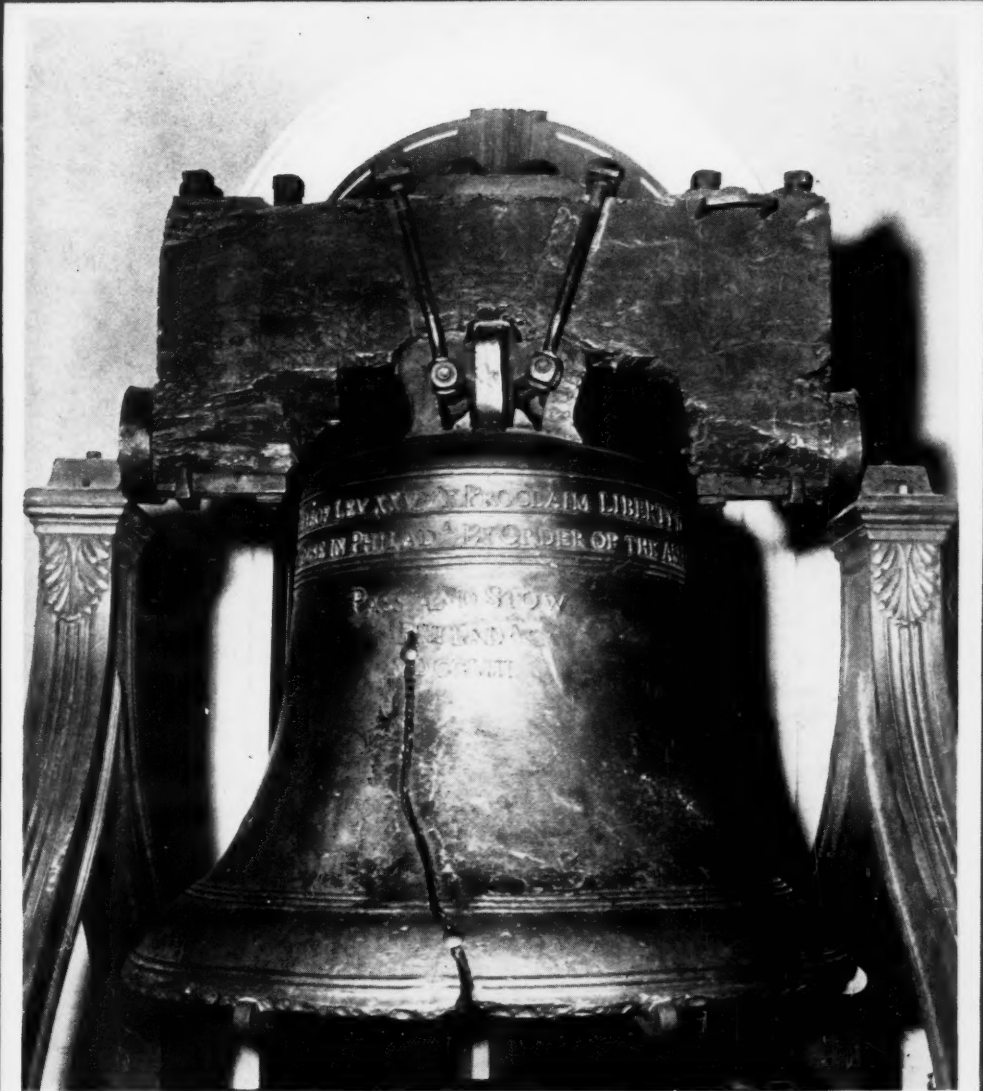




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# *The National Insurance Buyer*

**CORPORATE INSURANCE MANAGEMENT**



**THE LIBERTY BELL**

*photo courtesy Chamber of Commerce of Greater Philadelphia*

**AMERICAN SOCIETY OF INSURANCE MANAGEMENT**

Volume 3

January 1956

Number 1

XU

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*About the cover . . .*

The Liberty Bell (originally cast in Britain in 1751), now hangs in a small frame standing on a platform in the vestibule of the tower of Independence Hall, Philadelphia.

In 1750 the Philadelphia Assembly authorized the erection of a special building to provide a staircase to the second story of the State House in Philadelphia with a suitable place thereon for hanging a bell. The inscription was in two parts: "By order of the Assembly of the Province of Pennsylvania for the State House in the City of Philadelphia," underneath which was "Proclaim Liberty throughout all the Land to all the Inhabitants thereof. Lev. XXV:10."

On September 1, 1752, the bell was received in good order but had not been rung. It is reported that the bell cracked with the stroke of the clapper in testing it. Rather than return it to Britain to be recast, it was repaired by John Pass and Charles Stow, Jr., in Philadelphia. After two castings, it was considered satisfactory and in November 1753, it was hung in the State House steeple. In the recasting the original inscription was reversed, and a new inscription "Pass and Stow, Philadelphia MDCCLIII" was added.

It was first rung on August 27, 1753, to convene the Assembly. It was rung on July 8, 1776, upon the occasion of the proclamation of the Declaration of Independence which had been adopted in its full form on the 4th of July preceding . . . and subsequently on a number of historic occasions during the establishment and early history of the United States.

It was muffled and tolled the death of Washington on December 18, 1799. Again on July 8, 1835 (the anniversary of the proclamation of liberty) it tolled the death of John Marshall, Chief Justice of the United States, as his body was taken through Philadelphia to be returned to Virginia, his native state.

During this tolling, it cracked again. Repaired to ring on the anniversary of Washington's birthday in 1846, the bell sounded clear and true, until it suddenly cracked further and irreparably. Today it remains for all to see, one of America's most cherished historical relics.

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# "A Manager Is More Than An Insurance Buyer"

says

**Russell B. Gallagher,**  
**Manager Corporate Insurance**  
**Department, Philco Corporation**  
**and**  
**Member of Delaware Valley Chapter**  
**American Society of Insurance**  
**Management**



Principles, practices and procedures dealing with placement of corporate insurance, with emphasis upon the services of agents, brokers and solicitors, were reviewed by R. B. Gallagher, manager of the corporate insurance department of the Philco Corp. and member of Delaware Valley Chapter, ASIM, when he addressed an All Industry luncheon of the Society of Chartered Property & Casualty Underwriters in Detroit. Maximum benefit to an insurance buyer, he said, can be brought about by the insurance producer only through the most professional attitude. The producer's methods and operations must be dovetailed into the functional structure of his client's insurance department, Mr. Gallagher said. These extra services mark the producer's real worth to his corporate client.

The insurance manager of a corporation is an administrator of a complicated program. The manager is more than an insurance buyer. He must keep abreast of a manufacturing program and is responsible for seeing that insurance needs are met, in proper quality and at a competitive price. The manager must likewise develop his own information and gather all data which has any bearing on insurance.

## **Operations of Insurance Department**

"An Insurance Department may act largely on an advisory basis," said Mr. Gallagher. "If so, it will limit its operations to:

"(a) Research in problems having an insurable implication;

"(b) Means of abating exposure to risk;

"(c) Devising insurance protection for specific needs;

"(d) Processing certain types of losses;

"(e) Making reports to management and brokers so that the requirements of each may be satisfied.

"Such a department does not duplicate the services which are obtainable by custom from brokers or insurance companies, and it operates best when it follows the principle of assimilation.

"An entirely different kind of insurance department is that which is so staffed as to parallel the producer company function in addition to the advisory services. Here we find little or no assimilation of the broker.

## **Benefits of Assimilation**

"Many managers are not aware of the benefit to be gained from assimilation either because their departments are so abundantly staffed or because they have not analyzed the services which are available to them.

"Without being too specific, let's consider a small sampling of the various projects which must be undertaken in the integration of insurance coverages, after the purchase of a company. Assuming that the company is a manufacturer, its products undoubtedly are dispersed. Some will be in the hands of the ultimate consumer, others in the possession of dealers and still others in the warehouses of distributors.

"Each condition of holding represents a different potential liability. Usually the carrier for the purchased company is not the same as

the carrier for the purchasing company, hence, the responsibility for injuries or damage caused by the products naturally flows to the insurance carrier of the parent company. It becomes necessary to develop information on loss experience, production and sales over a period of years in order to evaluate the loss probabilities of the acquired company.

## **Must Volunteer Data to Broker or Agent**

"It is my opinion that we should follow the principle of 'disclosure' in risk submissions. It is not enough merely to reply to specific questions; we must volunteer pertinent information to our producers. If this is not done, the probability is that the insurance company will awake, unhappily, to circumstances which it has had no opportunity to consider in advance.

"We are more informed on our own operations and those of similar companies than an insurance company can be and if we do not delve sufficiently into the subject we cannot expect the insurance company to be very happy. Since the source of production and sales data is nearest to the insurance manager, its collection is his responsibility. The producer, too, acquires immediate responsibilities upon the acquisition of the purchased company. What is the public liability and workmen's compensation experience? Current and past claims which have any bearing on experience rating must be reviewed. Are the reserves adequate or inadequate? Will the parent company be faced with increased rates and losses if it merges the experience

*(More on page 4)*

of the acquired company with its own? Is it advisable to make such a joinder of experience?

"All of these questions can be answered upon review of available statistical data. Inasmuch as this information is obtainable from insurance companies and from the various rating bureaus, it is obvious that it becomes a responsibility of the broker or agent.

"It readily will be understood why the insurance manager is the coordinator of internal communications, while the producer assumes a similar position with rating bureaus, insurance commissioners and companies. This much is basic. The pattern becomes far more intricate as the relationship progresses."

Mr. Gallagher then discussed a hypothetical case in which a manufacturer finds his insurance costs increasing, particularly in workmen's compensation, public liability and ocean cargo. The insurance manager ascertains the causes for such rises in costs are, essen-

tially, more incurred losses, increased benefits, and expansion of business calling for more coverage. The insurance producer then takes over expansion of the report, with recommendations. Each of the insurance coverages has required a loss analysis and since the source of the analysis is the insurance company, the responsibility is that of the producer, said Mr. Gallagher.

#### **Loss Prevention Efforts**

"There are numerous other fields in which the broker or agent should become more closely associated with his client," he continued. "A good case in point is fire insurance engineering. We all know that, in order to qualify for 'superior risk' treatment, a building must be fire resistive and sprinklered. The fire engineer can be most helpful in advising the most economical means of qualifying and, at the same time, make certain that no shortcuts are taken.

"Producers often fail to realize that their clients are entirely con-

tent to pay premiums but they don't want losses. It's not only that they do not want uninsured losses, they don't want any losses. No matter how fairly the insurance company handles the claim, there is an element of loss which is uncollectible. It arises from the confusion attending any casualty.

"How can the producer achieve such perception as to eliminate fire losses? He can't! He makes the most of his experience by conferring with his client's architects. He observes the construction methods. He counsels against combustibles where non-combustibles are available. It is even possible that he may recommend construction plan changes which will save money.

"If the producer is doing a proper job, he must learn all of the facts we need to know. How else can he negotiate our insurance contracts? The change in methods progresses from a more orderly and objective

*(More on page 18)*

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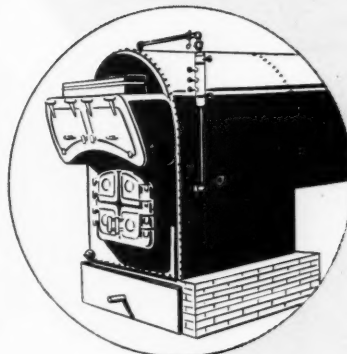
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- Q. Is that the best coverage for your business . . . or would an Actual Loss form be more advantageous?
- Q. Does your plant operation fluctuate throughout the year?
- Q. Do profits vary by seasons . . . certain months . . . certain weeks of every month?
- Q. Is there a profit variable on similar types of operations?

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# Education And The New Profession

By

Dr. H. Wayne Snider

Professor of Insurance, Illinois Wesleyan University  
Bloomington, Illinois

(Address before the Mid-West Insurance Buyers Association  
at Chicago, Illinois)

Within the past few months our newspapers have reported two political revolutions in South America. Because of its timeliness, therefore, it is important to consider some implications of a revolution. This topic is important, not primarily because of our interest in foreign affairs, but instead because our country is also in the midst of a revolution. Ours is not the armed political revolt of Argentina or Brazil, but it is a revolution nonetheless. A revolution, according to Webster, is "an extensive or radical and usually somewhat sudden change." By this definition the United States is in the midst of a social, political and economic revolution.

Evidences of this revolution are found when the world as it existed fifteen or twenty years ago is examined. At that time: Television was a word known primarily to science-fiction addicts. Hitler, Mussolini, Stalin, and Roosevelt were the personalities that dominated the world political scene. Communism was a popular fad among the pseudo-intellectuals. The concepts of secular stagnation and permanent underemployment were widely accepted by the economic sophisticates.

Since that time sudden and often violent changes have occurred in the world about us creating risks for the business community. (Risk, of course, is here used in the insurance sense of chance of financial loss.) For example we find: The advent of the guaranteed annual wage resulting in the possibility of increased labor costs. The development of industrial use of radioactive materials and atomic power creating potentially catastrophic losses to persons and property. A changing social philosophy causing an increased obligation of a firm to protect and provide for others — i.e., the development of compulsory non-occupational disability legislation, or the broadening base of negligence and liability.

These changes have created an opportunity for the development of a new profession — that of the risk manager.

## The Professional Risk Manager

There are those who would reject the concept of a professional risk manager. They conceive of this function being performed by a specialized purchase clerk who orders insurance coverage by telephone from a local broker or agent, maintains an accurate record of expirations, and submits vouchers for payment of the numerous premiums.

A more enlightened approach, however, is to conceive of the risk manager as an executive who protects the assets of a business by analyzing the perils that might destroy them and determining how to deal with these perils. There are four principal methods of dealing with risks available to the risk manager.

He may assume the risk. This may mean that no action is taken, or it may mean that a bookkeeping reserve is established. In either case, however, the risk remains uninsured.

He may self-insure. In order to self-insure, however, the requirements of an insurable risk must be met. By this I mean there must be a large number of homogeneous units of exposure free from catastrophic loss.

At the inception of a self-insurance program a reserve fund must be established which is large enough to pay immediately for one large loss. Actuarially-determined premiums must be paid regularly into this fund even though actual losses are smaller than those anticipated. With-



DR. H. WAYNE SNIDER

drawals from the fund for non-insurance purposes obviously must be prohibited.

He may transfer it to a commercial insurance carrier. This method is presumed to need no elaboration.

He can direct effort at the prevention of a loss. This method includes both the attempt to prevent a loss from occurring, as evidenced by the construction of so-called "fire proof" buildings, and the attempt to minimize a loss which has occurred, as evidenced by the installation of sprinkler systems.

## The Ideal Insurance Department

If the risk manager is to perform these broad duties, he must be supported by a strong department. It seems appropriate, therefore, to consider the organization of an ideal risk or insurance department. It is recognized that the structure of any particular risk department may be modified by the personal characteristic of its members, by unique abilities available in other departments, by the prejudices of top management, by the traditions of the firm, and by the scope and nature of its operations. On the other hand it is important that an ideal be established in order to avoid satisfaction or complacency with the mediocre.

(More on page 21)





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## DO WE KNOW A BARGAIN WHEN WE SEE ONE?

We are continually exposed to high merchandising pressure every day — all around us. Sometimes we buy a "bargain" when we really don't need it.

I have often wondered if we, in the insurance management field, are aware of a terrific bargain right in our own back yards. Yet, we may not be using this "bargain" for our fullest benefit and for the maximum benefit of our profession.

Of course, the "bargain" of which I speak is membership in the American Society of Insurance Management. For nowhere else can we broaden our acquaintance with men and women of similar interests than in membership with ASIM.

### Chapter Activities

The Delaware Valley Chapter ASIM, is fully cognizant of the part it plays in the development of insurance management. Like most of the other ASIM chapters, we are young (approximately four years old), and we started with a nucleus of insurance managers from the largest city in our area: Philadelphia. During these years, our presidents — Russ Gallagher of Philco Corporation, John Long of Atlantic Refining Company, Thomas Ambler of Smith-Kline & French Company, and I have seen our chapter progressively grow in membership and activity.

Today, we have 30 members who include most of the largest corporations within a 60 mile radius of Philadelphia. In addition, our "hot" prospect list includes a substantial number of good local corporations. Our members firmly believe in personal contact and association with many of the most prominent members of the insurance profession and we have achieved a certain measure of constructive publicity about the several social meetings



By  
**Frank W. Pennartz**  
President  
Delaware Valley Chapter, ASIM

we have held with prominent insurance groups.

### Business and Pleasure

Our Christmas Party is also called our "President's Night". On that evening in December 1955, we had as our guests 25 officers and top executives of major stock and mutual insurance companies. Cocktails, dinner and two hours of a "fun program" with lavish prizes and gifts for all, made a night to remember.

During the past year, we have had other successful social meetings — one our "brokers' night", another, our "claims executives' outing". All of these social meetings have afforded a better understanding between our members and top insurance executives. (I have noticed that too often an insurance carrier may have had a large line on a risk for many years without the top insurance executive ever having met the insurance manager). Moreover, these joint meetings have brought an awakened realization to the insurance fra-

ternity that the insurance manager and the field of insurance management is growing in importance and prestige and has a very effective role in the industry.

Having read this far, please don't think that our meetings are all social. This is far from the fact. Actually most of our meetings are a combined business meeting with a speaker from the industry and we have been indeed fortunate in getting many top men to talk at our meetings.

Several other chapters of ASIM have conducted "Insurance Days" or forums in their communities with marked success. Certainly this is a very worthwhile endeavor but one which our chapter has not yet attempted, although we did participate in a college seminar at Penn State.

We are thinking of establishing a scholarship at a nearby university for the study of insurance management, and feel that this would be a very worthwhile project for Delaware Valley Chapter.

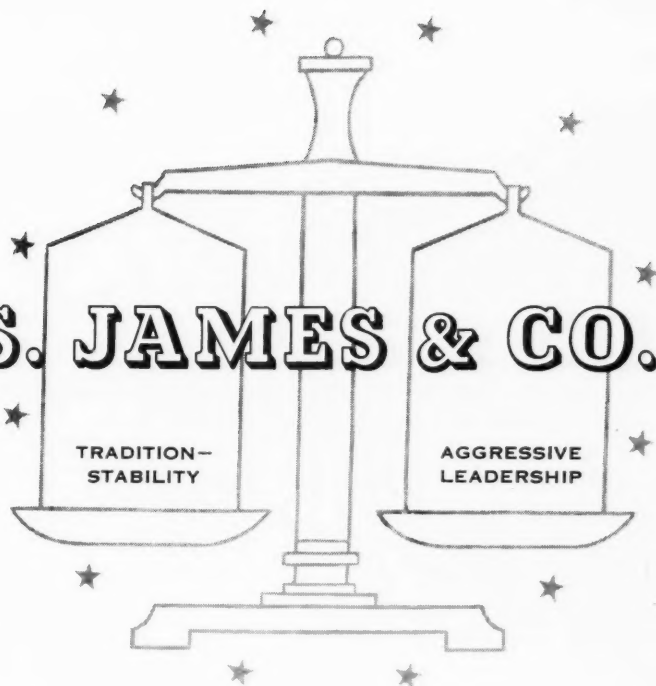
But whether we go into this as our project or decide upon something else one thing is certain to me, based on our past four years: as our chapter grows, so do our ambitions and activities grow and I am sure we will continue to expand our interests and our sights year by year.

### Benefits in Membership

Of course, no one can reap the full benefit of membership in a chapter unless he actively participates — either as an officer, director, committee member — or a vocal participant at meetings. Participation is the key to enjoyment and enthusiasm in chapter work.

As members of ASIM, we have a terrific "bargain" in insurance management — and as long as we participate in chapter activities, "HOW CAN WE MISS?"

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# What ASIM Members Say

about

## Pinpointing the Responsibility for Risk Management

**Joe T. Parrett,  
Insurance Manager  
for Carnation Company,  
Los Angeles; and 1st Vice President,  
ASIM, says:—**

Do we want to be more than just policy renewal clerks? Do we want to be more than the brokers and insurance companies' errand boys? How can we establish and raise the professional status of the Corporate Insurance Administrator, not only in the business itself, but more importantly, in the Company for whom we work. If we are to raise the standards and make our positions one of professional, as well as official capacity, we must operate in a manner to justify this label.

In my Company, we have no written or stated policy. I suspect the reason for this is that I have never asked to have one formulated. It is my opinion that any stated policy to be workable must be sufficiently broad that it doesn't mean much. If it isn't broad and is too definitive, it must follow an A.B.C. pattern that doesn't leave any room for the exercise of judgment by the Corporate Insurance Manager. If we are to build the stature of the Insurance Manager, then we must have an opportunity to exercise judgment and assume responsibility which will in the end in itself, be a step toward recognition. I am wondering if the real and worthwhile challenge isn't to create an "Insurance Philosophy" in our companies rather than a statement of policy.

It is the Insurance Manager's responsibility to evaluate Risks, discover exposures, and cover these either with outside insurance, self-insurance, or not insure them at all. The Insurance Manager is left in complete freedom as to making recommendations and taking actions as to the best way of accom-

plishing the desired result. Any major changes from previous methods are cleared with management.

It is my opinion that location of a Department in an organizational setup of a Company is of no importance to the proper functioning of the Department. The real important thing about the organizational setup is that the Insurance Manager have access to a member of the top management staff, and not have to clear through 3 or 4 intermediaries to get to a top executive. The top executive need not necessarily be a Corporate officer if he has the authority to guide you and ratify your decisions.

It is a well recognized fact that the position of Insurance Manager has grown from the "Senior Clerk" classification to one of prominence in many companies. To warrant continued recognition and increasing prominence, we must be aware of our responsibilities and develop ourselves.

Let's take a positive approach as compared to static acceptance. Maybe we should do more actual creating instead of accepting the "Best Available", without further study or investigation. Some very capable people in our work, have made names for themselves in their companies and in the Insurance business as well. These men earned this recognition because they were not resigned to laying down their pick just because somebody's Manual Rules or Regulations were not realistic. They found someone to listen to their problems, and resourcefully solved them.

Let's not leave it to the brokers and insurance companies to educate us, but let's educate ourselves. Let's do a better job of letting management know what we are doing and how we do it. Let's do a little more leading and a little less following.

Many of us are secretly waiting for our claim to fame, hoping for

that large loss to occur and luckily be able to produce the policy that covered it. I had a dream. A little short guy about my height, wearing glasses, large ears, and a massive chest that had slipped to mid-section, was standing ankle deep in carpet in front of an 8 foot gold plated desk. His face evidenced not just an ordinary smile, but the smile of the triumphant. In one hand he held an insurance policy, in the other, a requisition form for a change of salary. The President looked up, uttered a growl of recognition and said, "How did you get in here." "Sir, I am the Insurance Manager. I am pleased to report the \$22,000,000.00 loss we had this morning is completely covered by insurance. This is the policy on which I recently raised the limits from \$25,000.00." The President removed his glasses and said, "It's about time these insurance companies were giving us some of our money back, and by the way, couldn't this interview have been replaced by an inter-office memo? Good day."

The next scene was the Insurance Manager slowly approaching the Supply Department, returning the unused salary requisition form, slightly stooped, a little worn, a little less hopeful, but still faithful.

**Edwin T. Berquist,  
Insurance Manager,  
The Pure Oil Company,  
Chicago; and member of Mid-West  
Insurance Buyers Association,  
ASIM, says:—**

The first important task an insurance manager has is to determine his company's attitude toward insurance. In our company, we do not have a written statement of policy but we do have a very definite understanding how insurance

(More on page 12)



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Philadelphia Fire and Marine Insurance Company

Philadelphia 1, Pa.

is to be used to protect our company assets. In some respects I do not believe a written statement of policy is a good thing. Such a statement may be accepted as a hard and fast rule governing the activities of the insurance manager. The corporate insurance program must be elastic in order to be successful.

It is the duty of the insurance manager to guide the corporate attitude toward insurance, taking into consideration current conditions existing in his company. Short of this he becomes only a purchaser of insurance and is not worthy of his responsibility.

The duty of the insurance department of our company is to protect and conserve the corporate assets of the company from loss caused by casualty or from liability caused by negligence as a result of its operations. This may be called our corporate attitude or policy toward insurance.

Most problems of the insurance manager lie within his own company, securing the necessary information and cooperation to carry out the insurance program. The usual insurance manager has less problems with insurance companies, brokers and agents than he has within his own company.

To carry out a program of insurance, the insurance manager must have the sympathetic aid of top management. In our company, I report directly to a vice president, who maintains close liaison with executive management including the Chairman of the Board. Any problem of importance concerning insurance is discussed thoroughly with top management of the division concerned before any major change is proposed.

Every operation of his company should be analyzed by the insurance manager from the risk viewpoint. He should understand the operations thoroughly and determine whether or not a risk is great enough to warrant insurance. The only sure way to find out about a risk and its potential liability is to visit the operation firsthand and study it thoroughly.

If the insurance manager's recommendations are not accepted by top management, he should not

close his file but attempt to find out why his recommendations were not accepted. He should immediately go to work to meet the objections and, at a later date, reopen the question.

If a company has wide flung operations and a number of branches or divisions, there should be an insurance representative at each field office. These representatives should be responsible for the handling of all insurance matters of that branch and maintain direct communications with the insurance manager. In our field offices this duty has been delegated to the chief accountant or office manager.

The insurance department should be consulted in the preparation of all contracts and approval or disapproval noted thereon. In our company all contracts must have the approval of our legal and insurance departments.

The purpose of the insurance manager is to explain the character of and need for insurance to all the personnel in his company who can help him to accomplish his job more efficiently. It is said that an insurance manager should be a combination of lawyer, accountant and engineer. His first and usually hardest task is that of a salesman — selling the importance of insurance and a risk program to his company.

**James Cristy,  
Insurance Manager,  
The Upjohn Company,  
Kalamazoo, Michigan; and  
member of Insurance Buyers  
Association of Detroit, ASIM, says:—**

In The Upjohn Company the chief financial officer is the Vice President and Treasurer. He is in charge of both finance and control activities. Part of his responsibility is to protect the corporation against major financial losses due to insurable risk. The Vice President and Treasurer (whom I will call simply, Treasurer) has delegated this part of his responsibility to an Insurance Manager.

While Upjohn has no formal description of the Insurance Manager's job, it is agreed that his first

responsibility is to execute corporate policy with respect to assumption and insurance of risk. The Insurance Manager is also responsible for the financial and technical side of employee insurance and retirement plans administration.

The Insurance Manager has recommended, and the Treasurer and the chief executive have approved, a general rule for deciding which risks are significant enough to be insured. The interpretation of this rule is left to the Insurance Manager, subject to review by the Treasurer, but the rule and its application are reviewed each year with the chief executive.

The Insurance Manager's responsibility for safety or loss prevention activities is to act as liaison between insurance carriers and the people in our organization who act on insurance company recommendations. Primary responsibility for safety and accident prevention rests with the line organization. Their safety activities are guided and correlated by a Safety Engineer working under the Director of Personnel.

The company's Office and Finance Division, headed by the Vice President and Treasurer, shares with the Personnel Division the responsibility for administering the employee insurance and retirement plans. An Employee Insurance Department in Personnel handles those activities involving direct contact with employees. These include enrollments, distributing certificates, writing up beneficiary changes, helping employees fill out claim forms, distributing checks, processing retirements and that sort of thing. The Finance Division's Insurance Department is responsible for the rest of employee benefits administration. This covers the technical aspects of handling a group insurance plan, such as processing applications, setting up records, issuing certificates, preparing accounting reports, arranging for payroll deductions, checking premium statements, and so on. The Insurance Department processes all health insurance claims, and this includes writing the checks. Insurance

*(More on page 16)*

# EXPERIENCE...



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### **The Great State of Texas**

The great state of Texas has given the American Society of Insurance Management another chapter.

The Dallas-Fort Worth Area Society of Insurance Management is organized and has elected W. F. Shrimpton of Temco Aircraft Corporation, president; D. C. Morris of Chance-Vought Aircraft, Inc., vice-president; Miss Annetta M. Johnson of The Murray Company, secretary; and T. T. Redington, Jr., of Dresser Industries, Inc., treasurer.

This new chapter brings into the American Society of Insurance Management some of the most prominent insurance managers in the country, representing companies of great renown.

The Houston Area Insurance Buyers Association is the other chapter of ASIM in Texas.

## **REPORT ON FLOOD INSURANCE**

### **Sen. Lehman Proposes Federal Disaster Cover**

Herbert H. Lehman (D., N. Y.) proposed Oct. 30 that the federal government issue insurance against floods, hurricanes, atomic attack and other natural and man-made disasters.

Lehman submitted to the senate banking committee a "tentative draft" of legislation which would put the insurance program under a "federal disaster administration." This agency would actually be the federal civil defense administration under a new name and with new duties.

The banking committee started hearings Oct. 31 under Lehman's chairmanship on the whole field of disaster risk insurance, a subject spotlighted by August's tragic floods in Connecticut, Pennsylvania, New Jersey, Massachusetts, Rhode Island and New York.

The commerce department's business and defense services administration issued a "final summary" on the floods. It said they took 179 lives and caused damage totaling \$457,674,044 in the six Northeastern states.

Lehman's "tentative draft" would authorize the federal disaster administrator to issue disaster insurance to individuals and communities at premiums set by the government. However, there would be no charge for insurance against man-made disasters for civil defense workers.

A ceiling of \$300,000 would be placed on any individual claim under natural disaster insurance, with the administrator authorized to provide "reasonable indemnity" to persons and property suffering "war damage." However, there would be a 10-billion-dollar limit on the total amount of property covered by this section and claims would be restricted to 75 per cent of declared value.

Lehman also suggested a program of federal reinsurance so that private firms could expand their coverage and protection against disasters.

Federal officials continue to discuss flood insurance and the report of the regional office of the Federal Civil Defense Administration at Boston gives some idea of the scope of this problem. A report issued by Regional Administrator A. D. O'Connor broke down the \$400 million loss from the first flood this way (all figures approximate): Connecticut, \$181.2 million; Massachusetts, \$85.4 million; New Jersey, \$23.2 million; Rhode Island, \$17.1 million; New York State, \$15.7 million. The addition of \$60.6 million in highway and bridge damage in the five-state area boosts the total to almost \$400 million for August 17-19. In tallying the damage of about \$50 million from October 13-16 floods, the FDCA office figured about \$1 million for five-state rail damage and gave these state figures: Connecticut, \$35.8 million; New York, \$10.6 million; New Jersey, \$715,000; Massachusetts, \$200,000. Farmers in the five states lost \$6.3 million on crops in August. The five states lost \$81.3 million in taxable properties in the two floods, with Connecticut bearing \$49 million of it. The two floods threw 110,000 men and women out of work in Connecticut, Rhode Island and Massachusetts. North Carolina's Governor and two United States Senators agreed that Federal assistance was necessary for a disaster insurance program. Senator Samuel J. Ervin Jr. said that "it is essential for disaster insurance to be made available to the people. It is a nation-wide problem and requires a nation-wide approach." Senator Ervin, in reply to a question, said the insurance plan should be drawn to cover the various types of disasters that occur all over the country. He said he hoped private insurance companies would do the job, but, if not, Federal legislation would be necessary.



# CHAPTER DIRECTORY

## AMERICAN SOCIETY OF INSURANCE MANAGEMENT

### CENTRAL ILLINOIS INSURANCE MANAGERS ASSOCIATION

*Meetings*—2nd Thursday of each month, Bloomington, Illinois. Dinner, 6:30 P.M.  
*President*—F. G. Sutherland, Illinois Power Company, Decatur  
*Vice-Pres.*—D. W. Covey, LeTourneau Westinghouse, Peoria  
*Secy.-Treas.*—Robert E. Leshner, Funk Bros. Seed Co., Bloomington

### CINCINNATI CHAPTER

*Meetings*—1st Wednesday each month, except July and August. Luncheon, 12:00 Noon.  
*President*—R. S. Hayden, Armco Steel Corporation, Middletown  
*Vice-Pres.*—T. J. McAdams, Kroger Company, Cincinnati  
*Treasurer*—T. Fisher, Fifth Third Union Trust Co., Cincinnati  
*Asst. Treas.*—S. B. Adamson, U. S. Printing & Lithograph Co., Norwood  
*Secretary*—L. R. Everhard, Trailmobile Inc., Cincinnati

### DALLAS-FORT WORTH AREA SOCIETY OF INSURANCE MANAGEMENT

*President*—W. F. Shrimpton, Temco Aircraft Corp., Dallas  
*Vice-Pres.*—D. C. Morris, Chance-Vought Aircraft Inc., Dallas  
*Secretary*—Miss Annetta M. Johnson, The Murray Company, Dallas  
*Treasurer*—T. T. Redington, Jr., Dresser Industries, Inc., Dallas

### DELAWARE VALLEY CHAPTER

*Meetings*—3rd Monday each month. Dinner, 6:30 P.M.  
*President*—Frank W. Pennartz, Food Fair Stores, Inc., Philadelphia  
*Vice-Pres.*—J. Stephen Peters, Pennsylvania Salt Mfg. Co., Philadelphia  
*Secretary*—F. Walter Norcross, The Budd Company, Philadelphia  
*Treasurer*—Samuel B. Wainer, Penn Fruit Co., Philadelphia  
*Asst. Secy.*—Harry R. Sage, Mutual Rendering Company, Inc., Philadelphia  
*Asst. Treas.*—David Day, R. M. Hollingshead Corporation, Camden, N. J.

### INSURANCE BUYERS ASSOCIATION OF DETROIT

*Meetings*—3rd Wednesday each month. Dinner, 6:00 P.M.  
*President*—M. R. DeLaurier, the Detroit Edison Company, Detroit  
*Vice-Pres.*—R. H. French, Michigan Wisconsin Pipe Line Company, Detroit  
*Secretary*—W. A. Johnston, Chrysler Corporation, Detroit  
*Treasurer*—F. L. Kiernan, Michigan Consolidated Gas Co., Detroit

### HOUSTON AREA INSURANCE BUYERS ASSOCIATION

*Meetings*—2nd Wednesday each month. Luncheon, 11:30 A.M.  
*President*—C. K. Fierstone, Sheffield Steel Division, Armco Steel Corporation, Houston  
*Vice-Pres.*—R. T. Effinger, Jr., Reed Roller Bit Company, Houston  
*Secretary*—W. A. Holcomb, Jr., Transcontinental Gas Pipe Line Corp., Houston  
*Treasurer*—J. W. Marcontell, Schlumberger Well Surveying Corp., Houston

### LOS ANGELES CHAPTER

*Meetings*—3rd Wednesday of each month. Dinner, 6:30 P.M.  
*President*—W. F. Peterson, American Potash & Chemical Corp., Los Angeles  
*Vice-Pres.*—C. H. Weaver, The Flintkote Co., Pioneer Division, Los Angeles  
*Secretary*—E. C. Jones, Southern California Edison Co., Los Angeles  
*Treasurer*—Mrs. Anne Williams, California Bank, Los Angeles

### MARYLAND CHAPTER

*Meetings*—3rd Thursday each month at 6:30 P.M. Sept.-June.  
*President*—T. V. Murphy, Maryland Shipbuilding & Drydock Company, Baltimore  
*Vice-Pres.*—Robert B. Wiltshire, The Glenn L. Martin Company, Baltimore  
*Secy.-Treas.*—Robert Colbert, National Brewing Company, Baltimore

### MID-WEST INSURANCE BUYERS ASSOCIATION, INC.

*Meetings*—3rd Thursday of each month. September through May. Dinner, 6:00 P.M.  
*President*—Robert B. Myers, Fairbanks, Morse & Co., Chicago  
*Vice-Pres.*—C. Henry Austin, Standard Oil Co. (Indiana), Chicago  
*Secretary*—Ann Auerbach, Goldblatt Bros., Inc., Chicago  
*Treasurer*—G. J. Burns, Continental Ill. National Bank & Trust, Chicago

### MINNESOTA CHAPTER

*Meetings*—4th Tuesday of each month. Dinner, 6:30 P.M.  
*President*—H. V. Noland, M. F. Patterson Dental Supply Co. of Minn., St. Paul  
*Vice-Pres.*—K. N. Cervin, Minneapolis-Moline Company, Minneapolis  
*Secy.-Treas.*—Paul T. Mucke, Gamble-Skogmo, Inc., Minneapolis

### NEW YORK CHAPTER

*Meetings*—4th Thursday each month, except July and August. Luncheon, 12:20 P.M.  
*President*—Raymond Cox, Arabian American Oil Company, New York  
*1st Vice-Pres.*—W. D. McGuinness, The Port of New York Authority, New York  
*2nd Vice-Pres.*—H. S. Goodwin, McKesson & Robbins, Inc., New York  
*Secretary*—Frank Hornby, Jr., Ebasco Services, Inc., New York  
*Treasurer*—E. W. Pickel, Foster-Wheeler Corporation, New York

### NORTHERN CALIFORNIA CHAPTER

*Meetings*—3rd Thursday of each month. Dinner, 6:00 P.M.  
*President*—E. C. Lasater, Rosenberg Bros. & Co., Inc., San Francisco  
*Vice-Pres.*—J. P. Holstein, California Packing Corp., San Francisco  
*Secretary*—H. L. Hilleary, Standard Oil Company, San Francisco  
*Treasurer*—R. A. Westran, Kaiser Companies, Oakland

### PORTLAND, OREGON, CHAPTER

*Meetings*—1st Wednesday of each month. Dinner, 6:00 P.M.  
*President*—M. A. Gudman, Industrial Air Products, Portland  
*Vice-Pres.*—H. Retzlaff, Fred Meyer, Inc., Portland  
*Secy.-Treas.*—R. E. Klein, Iron Fireman Mfg. Co., Portland

ance maintains all retirement annuity records, and each year makes all calculations in preparation for an actuarial review.

The Treasurer and the Insurance Managers have agreed that the corporation's best interests will be served if small risks are assumed by Upjohn and only the large ones are transferred to insurance carriers. This principle began to take shape before there was an Insurance Manager. But it was not applied consistently, perhaps because it had never been stated in so many words.

The new Insurance Manager found that the company had assumed the risk of loss to merchandise consigned to agents because the risk was well-spread geographically and the maximum loss at one time could not exceed \$3,000 or \$4,000. Likewise insurance on plate glass had been discontinued. But insurance was still being carried on films, projectors and cameras, although the largest single off-premises exposure was never over \$600. Advertising exhibits sent around the country to medical meetings were being insured while away from company property despite the fact that the most expensive exhibit could be replaced for \$2,500. The company owned some houses on land acquired for industrial purposes. The rental income was not important and everyone agreed the houses would never be

replaced if destroyed by fire. Yet they were being insured.

The Insurance Manager decided that consistent insurance administration would be easier to attain if top management would establish, first, a guiding principle with respect to risk assumption and insurance, and second, a rule indicating where the line should be drawn. The principle was first approved by the Treasurer and the President in 1949, and it has remained our policy for the past six years. The rule used to apply the principle was first set at \$2,500. That is, we agreed that in general risks below \$2,500 should be assumed and risks above \$2,500 should be insured. During the past six years the rule has been changed twice, and now stands at \$25,000.

The Insurance Manager is a specialist. He should know insurance better than anyone else in his company. As an expert he can give valuable counsel on insurance questions. He can take part in major insurance decisions by recommending needed changes and backing up his recommendations with sound reasoning. Of course, top management is ultimately responsible to the owners on all problems of operation, and will normally reserve major insurance decisions for itself. But any insurance manager worth his salt should be able to make himself indispensable in discussions preceding these decisions.

**Casimir Z. Greenley,**  
**Insurance Department Manager,**  
**International Minerals & Chemical**  
**Corporation, Chicago; and member**  
**of Mid-West Insurance Buyers**  
**Association, ASIM, says:—**

The Department is part of the Financial Division and the Insurance Manager reports directly to the Financial Vice President. Our basic policy relating to insurance is:

1. To assume (as a charge against insurance reserves, profits or surplus) losses resulting from risks considered as not significant in relation to the cash position of the Corporation, and
2. To purchase insurance for risks not assumed, and
3. To eliminate or improve as far as practicable, the condition and practices which cause insurable losses.

I think you will find that it is much easier to bring about management's acceptance of a broad policy by originally presenting to it a specific case of changing the method of insuring one of the important risks and thus demonstrating in a more concrete way the probable results of the application of the policy recommended. Such an approach is preferable to a theoretical discussion of the pros and cons of the proposed basic policy.

The following are some of the  
(More on page 20)

## **MANUFACTURERS MUTUAL FIRE INSURANCE COMPANY**

**PROVIDENCE, RHODE ISLAND**

*The Oldest and Largest of the*  
**FACTORY MUTUAL COMPANIES**

**LEADERS IN BROAD COVERAGE  
AT LOW COST SINCE 1835**

### **Nevards Appointed Assistant Insurance Supervisor**

John A. Nevards has been appointed as assistant to Wes Peterson, Insurance Supervisor of American Potash and Chemical Corporation at Los Angeles.

Mr. Nevards, a native of Waukegan, Illinois, was graduated from the University of Southern California in 1951 with a bachelor of science degree in public administration.

He was with Republic Supply Company in Los Angeles before joining American Potash and Chemical Corporation, member of the Southern California Chapter, ASIM, represented by Mr. Wes Peterson.

### **Dixon Is Insurance Manager For ACF Industries**

James F. Dixon, of Whippany, N. J., was appointed manager-insurance of ACF Industries, Incorporated, according to an announcement by John F. Burditt, company treasurer.

Mr. Dixon came to ACF from U. S. Industries where he was man-

ager of insurance and pensions.

Educated in New Jersey schools, he received his B.S. and M.A. degrees at Seton Hall University. Mr. Dixon began his insurance career with American Associated Insurance Company and subsequently held various positions in the insurance field with Thomas J. Lipton, Inc., Army Air Force Exchange, and Olin Mathieson Company.

He served as a Lieutenant in the U. S. Navy for two and one-half years, is married and has four children.

### **Virginia-Carolina Chapter Meets**

On November 22nd, a meeting of the Virginia-Carolina Chapter of the American Society of Insurance Management was held in the Board Room of the Southern States Cooperative in Richmond, Virginia. Mr. Bernard M. Hulcher acted as temporary chairman and Mrs. Lydia S. Hammond, temporary secretary, pending election of permanent officers.

Mr. W. L. Blanton, chairman of

the By-laws Committee reported to the members present a draft of proposed by-laws.

Elected for terms of one and two years on the Board of Directors are (for one year) A. Grant Whitney, L. T. Oliver, Mrs. L. S. Hammond; and (for two years) B. M. Hulcher, Paul Stickler and Vernon Gornto.

Members of the new Virginia-Carolina Chapter are: B. W. L. Blanton, Larus & Brother Company; Mrs. Lydia S. Hammond, Miller and Rhoads, Inc.; B. M. Hulcher, Southern States Cooperative; L. T. Oliver, R. F. & P. Railroad Company; Robert L. Philbrick, David M. Lea & Company; Walter Randlett, Virginia Electric & Power Company; A. N. Unger, Noland Company, Inc.; W. W. Young, Overnite Transportation; and Paul Sticker, Reynolds Metals Company (all of Richmond). Vernon Gornto, Smith-Douglass Company, Norfolk; R. A. Perry, Sonoco Products Company, Hartsville, S. C.; Charles Marterton, Farmers Cooperative Exchange, Raleigh, N. C.; and A. Grant Whitney, Belk Stores, Inc., Charlotte, N. C.

## *In Your Service*

Among the many functions of a competent insurance agency is the knowledge of insurance markets — where to secure the broadest coverage in financially sound companies at minimum cost.

We pride ourselves, as do insurance buyers, on our ability to keep informed of the ever-changing insurance source of supply.

If you have a problem, we believe one of our specialists can help solve it.

**BYRNES-McCAFFREY, INC.**

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Familiar words . . . you've read them many times within this well-known border . . . and you know what they mean. For in each of the messages about the Continental Companies, we have asked that you let us serve your protection needs through the assistance of the insurance agent or broker who directly serves you.

The phrase, and the man, are important. Your agent or broker is often a close personal friend . . . and also a skilled professional protection analyst. He is equipped to prescribe the most efficient, most economical insurance contracts or complete protection programs for your specific situation. He also has a thorough and intimate knowledge of the many divisions, departments, groups, policies and new developments offered by the Continental Companies. With this understanding of these complete nationwide facilities, he can best serve and administer the protection which you desire.

Let him help you fashion a program that exactly serves your needs.

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*Offering every form of protection to you—your family  
— your home — your business — and your employees.*

### **"A Manager" —**

*(From page 4)*

thinking. Efficiency breeds lower cost and higher profit for the broker or agent.

"Recently, a survey was made on the subject of direct writer competition. Several questions were asked, most of them dwelling on cost. 'Do you think you could compete effectively with lower rates?' — that sort of question. It was interesting to note that a large number of those questioned agreed that while premium cost is a factor, it is not the answer. The answer, they agreed, is a more comprehensive service.

### **Good Producer a Fine Investment**

"The better broker or agent is one of the best investments we can make. From him we get intelligent advice, broad experience, the facilities it would be improvident for us to acquire in our own organization.

"I would be most pleased to put before our management a further report from the producer. It would read, 'we have made a careful review of your premises, operations, procedures and insurance practices. We find that you are adequately insured to cover all minor contingencies. We have analyzed your losses and your premium expense and find their ratio highly competitive. We believe that further reductions may be made in your insurance cost and, to this end, have prepared for your review, separate reports which support our opinions.'

"We have now reached the point where we may make a decision as to whether it is good or bad for the producer to be assimilated by his client. Does assimilation assure continuity of the producer on the account? Is he in a more authoritative position? Does he become indispensable, considering the cost of his replacement in insurance department personnel?"

*Reprinted from Eastern Underwriter,  
Dec. 16, 1955*



## Personnel Available

Inland Marine experience. Age 35, married—now handles various lines including ships service and stevedore liability—all phases of inland marine underwriting, re-insurance, etc. Excellent man with specialized training and ability. Has Mechanical Engineering Degree in addition to insurance background. (Address—ASIM - 11).

\* \* \*

Part-time or Full-time Insurance Buyer. 30 years experience in all types of insurance purchasing. Retired by recent merger. Very desirable employee. Conscientious and able. (Address—ASIM - 16).

\* \* \*

Safety Engineer. College education; married; presently employed. Responsible for general supervision of employees in planning, application, and administration of safety engineering service to policyholders. Experience also includes design of accident prevention programs, measurement of progress and reports to management of policyholders with multi-plant operations. (Address—ASIM - 17).

\* \* \*

Insurance Administrator: Currently employed, seeks challenging opportunity with industrial company where intimate knowledge of insurance can be used in administering the insurance program of the company. Qualified by six years with insurance companies as underwriter, claims adjuster, and representative, covering all forms of business insurance. (Address — ASIM - 12).

\* \* \*

Experienced Insurance Manager, age 32, with ability to negotiate insurance contracts, analyze coverage, handle losses and loss prevention activities. Legal and Engineering education, CPCU - Insurance Company background. Now employed in large multi-plant (35 manufacturing plants) seeking better opportunity as Insurance Manager (Address—ASIM - 15).

\* \* \*

Ten years experience as Assistant Insurance Manager. Capable of handling the purchasing and administration of all forms of insurance. (More on page 22)

## Insurance Is Like Medicine . . .

in certain cases it's best to have a specialist. This is particularly true in fire, boiler, and machinery insurance for large industrial organizations. Having a combined total of two hundred years of specialized experience in these fields, our two mutual companies are exceptionally well qualified to handle such insurance needs. Among the advantages enjoyed by our constantly expanding list of policyholders are:

- Preventive protection developed through a continuous program of laboratory research and field investigations.
- Regular inspection service by a highly qualified engineering staff.
- Speedy and efficient service made possible by district and branch offices in 30 major cities of the United States and Canada.

## BOSTON MANUFACTURERS MUTUAL

and

## MUTUAL BOILER AND MACHINERY

### *Insurance Companies*

**Marshall B. Dalton, President**

**225 Wyman Street**

**Waltham 54, Massachusetts**

## Greenley —

(From page 16)

more important factors in the application of the corporate insurance policy and who has the responsibility for them in our company:

1. Determination of the kinds and magnitude of insurable risks to which the corporation is exposed.
2. Knowing the insurance contract forms, insurance companies, brokers and agents best fitted for insuring the corporation's risks.
3. Negotiating and purchasing insurance coverage.

The above three functions are the Insurance Manager's most important responsibilities since he is expected to have the technical knowledge and experience required to take care of that part of the job.

4. Determination of which risks should be entirely or partially assumed and which should be insured.

The determination of the extent, if any, to which the company will assume insurable risks is of course definitely a decision of our top management, with the Insurance Manager only advancing the recommendation and the reasons for it.

5. Loss Prevention.

The responsibility for its effective functioning is placed on the various operating divisions. In

our company the development and administration of the accident prevention plan is the responsibility of the Industrial Relations Department. However, copies of all accident reports and inspection reports are also received and analyzed by the Insurance Department. Because the cost of accidents directly affects our cost of insuring them, the Insurance Department is vitally interested in all situations which caused accidents or where inspection reports indicate physical conditions or unsafe practices which might cause accidents. The development and administration of the fire prevention program is the responsibility of the Insurance Department.

6. Adjustment of claims.

This is the Insurance Manager's responsibility. The Insurance Manager is also responsible for the payment of Group Insurance claims and processes pension cases at time of retirement.

7. Negotiating and purchasing insurance coverage for employee group insurance plans and pensions.

This is the Insurance Manager's responsibility. It is our feeling that this responsibility can best be discharged by the Insurance Manager because of his familiarity with insurance negotiating techniques, acquaintance with brokers and agents

and other situations encountered in negotiations which are basically similar to those encountered in negotiating for and purchasing coverage for property damage or casualty risks.

8. Records and reports.

It is our Insurance Department Manager's responsibility to maintain such records of premium costs and losses as are essential for his negotiation of renewals of coverage, for the periodic review of such records to determine the soundness of continuing the assumption or insuring of certain risks and for the preparation of reports to his immediate superior and to heads of operating divisions.

In the more important matters such as changing a risk from a completely purchased insurance status to self-insurance or vice-versa, or changing brokers, materially increasing limits of coverage, etc., the Insurance Manager brings his recommendations to the attention of his immediate superior—not necessarily for his approval, but to keep him informed of my plans and to obtain his views which in some cases may reveal that I may not have given consideration to some important factors outside of the strictly insurance phase of the problem in reaching my conclusion.

(Excerpts from remarks before a panel session at the fall insurance conference of the American Management Association, October 1955.)

# R. C. RATHBONE & SON

Incorporated

ESTABLISHED 1853

## INSURANCE BROKERS

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102nd Year Of Placing Insurance For Many Leading Enterprises

## Education —

(From page 6)

The organization of the ideal risk department must develop around four functional areas:

**Statistical and Administrative.** Every department must perform certain administrative functions. Records must be kept of departmental operations and reports of these operations prepared for top management. The accuracy of premium charges must be ascertained, and a check on policy expirations must be maintained. In addition, liaison with other departments must be established in order that information regarding new construction, the concentration of values in new locations, and similar matters be obtained. Clerical and administrative duties of this type are performed in every insurance department.

**Engineering.** An ideal risk department also should contain an engineering division. Among the duties of this division are the appraisal of property values, the supervision of industrial safety and loss prevention programs, and the supervision of construction programs. An example, perhaps, will clarify the need for supervision of construction programs in the engineering division. Within the last few weeks a comparatively small firm in Central Illinois found it necessary to construct additional storage facilities in an adjoining state. It was decided, by top management, that small frame buildings with wooden roofs would be the least expensive type of con-

struction meeting the needs of the firm. At this point, the assistant controller was told of the decision and requested to buy suitable insurance coverage. Having some knowledge of insurance, he made a comparison of fire insurance rates between the types of buildings contemplated and fire-resistance buildings. He discovered that the yearly cost differential amounted to ten percent of the difference in total costs of construction. In other words, over a ten-year period of operations fire-resistant buildings would be less expensive than the wooden buildings, besides having a greater residual value. Similar savings are available in larger corporations when construction supervision is channelled through the engineering division of the risk department.

**Actuarial.** The need for an actuarial division in a risk department becomes evident when the decisions facing a risk manager are considered. An intelligent decision between alternative methods of meeting risk is dependent on actuarial determination of the probability of loss. If a self-insurance program is adopted, accretions to the reserve fund must be computed on an actuarial basis. When the option of selecting a retrospective rating plan is granted an insured by a commercial carrier, an intelligent decision regarding the use of such a plan and the selection between plans is dependent upon actuarial considerations. Although only the largest insurance departments can afford actuaries as employees, the ideal insurance department must have actuarial services

available to it.

**Insurance.** The functions of an insurance division are so widely recognized that many individuals believe them to be only functions of a risk department. Included is the creation and placement of tailor-made contracts together with the more widely-recognized purchasing of suitable standard contracts.

## Organization

The ideal risk department, containing these functional divisions, must be organized on a line basis into a fully-integrated department. Actual organization will vary by the needs and peculiarities of the individual firm, but frequently it will include a fire department, a casualty department, and a life department. While the ideal risk department has not yet been, and perhaps never will be, achieved, several of the larger corporations are approaching this level, including the insurance department of the Standard Oil Company (Indiana), headed by Mr. C. Henry Austin (a director of the American Society of Insurance Management).

When the function of a risk manager to protect the assets of a firm is recognized, the ideal location of a risk department within a firm's organizational structure becomes obvious. It must be placed under the supervision of the one officer directly interested in and responsible for assets of the firm—the financial vice president. Although today many departments are satisfactorily located under the con-

(More on page 22)

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## Education —

(From page 21)

troller or secretary, this certainly is not the ideal location.

### Prerequisites of Professional Status

What knowledge and abilities are required of a risk manager as a prerequisite of professional status? Mr. Horace P. Liversidge, Chairman of the Board of Directors of the Philadelphia Electric Company, has stated that the risk manager must possess legal knowledge, engineering ability, familiarity with accounting practices and procedures, an understanding of economic principles, a comprehensive knowledge of insurance, and finally a broad educational background. Certainly any risk manager that possesses these abilities has achieved significant progress in establishing his professional status. A profession, however, must be established by acclamation of the public rather than by proclamation of its members. Within the last few weeks the proclamation method has been used to gain recognition of risk management as a profession by changing the name of the National Association of Insurance Buyers to American Society of Insurance Managers. Although the purpose of this change is commendable, it is naive to believe that this is more than a small step in achieving professional recognition. What is needed is a general level of proficiency among risk managers sufficient to justify such recognition and, in addition, a means of gaining necessary public recognition and acclamation.

### Formal Education Programs

How can proficiency be acquired and recognition obtained? Perhaps the solution lies in the creation of a formal educational program for the development of risk managers at a recognized university leading to a degree of Master of Business Administration with a major in risk management.

The course requirements of such

a program have indirectly been defined by Mr. Liversidge when he discussed the educational requirements of a risk manager. It would include as undergraduate prerequisites a broad liberal arts background including specific courses in English, mathematics, economic theory, accounting, transportation, business finance, and business law. At the graduate level it might be developed around four separate areas.

### Loss Prevention.

A course in this area should include some consideration both of building construction and of safety engineering.

### Actuarial Science.

There must be developed a course directed at giving the future risk manager some explanation of the actuarial what and why, rather than the how.

### Insurance.

Insurance principles, practices and coverages (including group coverages) are presently being taught in several of our leading universities. Obviously courses of this type would be required for a degree in risk management.

### Administration.

It is necessary that a risk manager be an executive as well as a skilled specialist. Consequently courses in human relations, organization, and business administration must be included in any program of study for the risk manager.

The development of an educational program of this type should give the risk manager a professional level of proficiency and might go far in developing the public recognition which is necessary for the establishment of a profession. If this is done, the American revolution of 1955 will, in fact, have created a new profession.

(Dr. Snider is an honorary member of Central Illinois Insurance Managers Association, ASIM).

## Personnel Available—

(From page 19)

ance coverage. Also personnel and industrial relations. Married. Age 42. Available at once. (Address — ASIM - 14).

\* \* \*

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\* \* \*

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\* \* \*

Young man, 30, married — good education — would like to improve his position. Now employed as assistant to Insurance Department Manager of large private corporation. (Address—ASIM - 20).

\* \* \*

Young Insurance Executive. B.B.A. Degree. Qualified by many years diversified experience, with special emphasis on supervision and control of large corporation insurance portfolios. Excellent knowledge of markets and contracts seeks position with private corporation or professional organization. (Address—ASIM - 22).

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# The Appraisal In The Loss Adjustment

by  
Ralph L. Berry

The American Appraisal Company

It has often been a matter of some surprise to me when an insurance buyer emphasizes the fact that he is interested in an appraisal "just for insurance," with the implication that it need not be very accurate or prepared in any great detail. The natural conclusion is that he is thinking in terms of an overall broad estimate of values to serve as a guide in determining the total amount of coverage which he needs.

His lack of concern about the accuracy of the appraisal may be due to a number of reasons. Perhaps he has no intention of carrying full insurance to value because he may feel that a total loss is inconceivable, as have the owners of many properties prior to a fire, tornado, or other disaster which has ruined the property; or he may be thinking in terms of establishing the maximum loss to which the property is subject and buying insurance to cover only that portion of a possible loss which might place too great a strain upon the finances of the company.

Whether these or other reasons influence his thinking, it is in contrast with that of many insurance buyers who will admit that, regardless of how improbable it may seem, the worst might happen, and who are concerned about securing maximum protection against a possible total loss.

## For Placement Purposes

Where an appraisal is desired primarily for placement purposes, there are various short-cut methods which will enable the insurance buyer to arrive at a rough approximation of total value, such as the application of general price trends to recorded book costs; but there are dangers inherent in the use of general price trends, which are based on averages and may not apply to a specific type of property or to the locality in which that property is situated, and the accuracy of the property accounts is open to question. Have the costs of all insurable assets been capitalized? Probably not. What of those assets which have been scrapped, sold or transferred? Have all such transactions been recorded on the books? These are but a few of the questions which arise when accounting records are used as the basis for estimating current insurable values.

If the insurance buyer is speculating on the chances that he will never have a serious loss on his hands, the accuracy of his appraisal

does not matter greatly. If he were thoroughly convinced that he would never suffer any but minor losses, he probably would not carry any insurance at all. The very fact that he carries insurance indicates that he must recognize the possibility of a catastrophe of such serious proportions as to be financially ruinous.

## The Appraisal in Loss Adjustment

The professional appraiser, having this contingency in mind, will urge the insurance buyer to look beyond the placement problem to the possibility of adjusting a major loss where the evidence of value has been largely destroyed. He will point out that, in such an event, there will be no opportunity to purchase the additional coverage which he may need. The unsupported opinions of value, the trended book costs, or the square foot of cubic foot estimates of replacement costs will fail to supply the "complete inventory of the destroyed, damaged and undamaged property, showing in detail

quantities, costs, actual cash value—of each item" required in the standard fire insurance policy for settlement of a loss, and the possible demand for "verified plans and specifications of any building, fixtures or machinery destroyed or damaged." If an appraisal is to be prepared to meet such a contingency and to serve as the basis for a prompt and equitable loss adjustment, it should be made in complete detail and kept up to date to reflect changes in the property and changes in values as they occur. The values must be supported by unit cost data applicable to the locality in which the property is located. The notes must clearly reflect the steps by which these unit cost data have been converted into the cost of reproduction of the complete unit of property. The notes must also contain ample comments as to the age, maintenance, utility, and physical condition on which the appraiser has arrived at his conclusions as to the accrued depreciation applicable to each unit of property.

The appraisal will clearly indicate the line of demarcation between the insured and uninsured portions of the property; it will classify the items as "buildings" or "contents" as specified in the policy, and it will summarize the values by buildings or risks in agreement with the provisions of the policy.

Obviously, such an appraisal designed to satisfy the insurance adjuster requires a great deal more time, judgment, experience, and wealth of supporting cost data than is required to arrive at a rough approximation of total value for insurance placement purposes only; but it will enable the insurance buyer to build a sound insurance program. The insurance buyer can have confidence in the basis on which his insurance is placed, and in his ability to substantiate his position when the worst happens.

*(Written especially for  
The National Insurance Buyer)*

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